

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08 CEA-02 FEA-02

INT-08 FPC-01 DODE-00 PA-04 USIA-15 PRS-01 NEA-11

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R 240310Z JAN 74

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USDOC WASHDC

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

LIMITED OFFICIAL USE SECTION 1 OF 2 ZAGREB 0060

E.O. 11652: N/A

TAGS: BFOL, ENRG, ETRD, YO, HU, CZ, US

SUBJECT: INA GENERAL DIRECTOR COMMENTS ON PAN-ADRIA PIPELINE  
AND OTHER ENERGY TOPICS

REF: A. BELGRADE 0167; B. ZAGREB 0115, 3/7/73; C. ZAGREB 0107,  
3/2/73; D. BELGRADE 2695, 6/18/73; 3. BELGRADE A-41 1/21/74

SUMMARY: ACCORDING GENERAL DIRECTOR ANDJELKO BUBANJ OF INA  
(CROATIA'S PETROLEUM AND GAS ENTERPRISE PARTICIPATING IN PAN-  
ADRIA PIPELINE CONSORTIUM), INA CONTINUES TO LOOK FORWARD TO  
MAJOR US PARTICIPATION IN CONSTRUCTION PAN-ADRIA PIPELINE. HEAD-  
QUARTERS FOR PIPELINE CONSORTIUM LIKELY BE IN RIJEKA. BUBANJ  
FORESEES YUGOSLAVIA BECOMING LESS DEPENDENT ON IMPORTED PETROLEUM  
AS IT DEVELOPS DOMESTIC PRODUCTION NATURAL GAS AND OIL, HYDRO-  
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POWER RESOURCES, AND CONSTRUCTS COAL- AND NUCLEAR-FUELED

ELECTRICITY-GENERATING PLANTS. AMENDMENT OF YUGOSLAV LAWS UNDER ACTIVE CONSIDERATION TO ENABLE JOINT VENTURES IN OFF-SHORE OIL AND GAS EXPLORATION AND EXPLOITATION. BUBANJ FORESEES RISING PRICES FOR GAS AND PETROLEUM PRODUCTS AS STIMULANT FOR EXPANDED DOMESTIC OIL AND GAS EXPLORATION AND EXPLOITATION. HE CONFIDENT INA WILL CONTINUE DEPEND ON "LONG-ESTABLISHED" TIES WITH AMERICAN PRODUCERS FOR EQUIPMENT ENABLE EXPANSION ITS PETROLEUM AND GAS EXPLORATION AND EXPLOITATION. END SUMMARY

1. US PARTICIPATION IN PAN-ADRIA PIPELINE FEASIBILITY STUDY

ND CONSTRUCTION: DURING RECENT VISIT TO INA GENERAL DIRECTOR BUBANJ, STRESSED KEEN INTEREST OF AMERICAN FIRMS SUCH AS TAMS AND BECHTEL IN PAN-ADRIA PIPELINE FEASIBILITY STUDY AND CONSTRUCTION (REF A). BUBANJ CHECKED REGARDING FEASIBILITY STUDY AND ADVISED THAT COMMITMENT FOR THIS BEING MADE TO UK FIRM IMEG. (IN SUBSEQUENT CONVERSATION, JAN 23, INA OFFICIAL CICIN-SAIN ADVISED, HOWEVER, THAT CONSORTIUM STILL SEEKING CLARIFICATION FROM IMEG ON CERTAIN ASPECTS IMEG'S BID. THEREFORE, OTHER COMPANIES STILL FREE TO SUBMIT BIDS FOR FEASIBILITY STUDY.) BUBANJ EXPLAINED THAT FEASIBILITY STUDY REQUIREMENT CONNECTED WITH YUGOSLAV REQUEST TO IBRD FOR FUNDS TO FINANCE PIPELINE PROJECT. HE CONTINUED THAT COMPANY DOING FEASIBILITY STUDY WILL NOT BE ELIGIBLE UNDER IBRD RULES TO GET PIPELINE CONSTRUCTION CONTRACT. HE THEN UNDERLINED THAT INA CONTINUES TO LOOK FORWARD TO "AMERICAN FIRM" GETTING PIPELINE CONSTRUCTION CONTRACT (REF B). HE EMPHASIZED THAT BECHTEL, "WHICH FOR YEARS HAS WORKED SUCCESSFULLY WITH INA AND NAFTAGAS (NOVI SAD)," CONTINUES TO BE MOST FAVORABLY REGARDED IN THIS CONNECTION. (INA'S RELATIONSHIP WITH NAFTAGAS APPEARS MUCH MORE DEVELOPED THAN ITS ASSOCIATION WITH ENERGO-INVEST OF SARAJEVO, THE THIRD MEMBER OF THE PIPELINE CONSORTIUM).

). SOURCES IN BELGRADE ALSO INDICATE THAT BRITISH FIRM IMEG SHOULD RECEIVE CONTRACT ON FEASIBILITY STUDY. MR. JEAN GOUTAIL, DIRECTOR OF INTERNATIONAL DIVISION OF CEC AND PRESIDENT OF COMPAEC,

BOTH IN PARIS, INFORMED EMBASSY THE CEC AND U.S.S . FIRM TAMS SUBMITTED \$36,000 BID ON FEASIBILITY STUDY, BUT THAT BRITISH OFFER OF \$23,000 MORE ATTRACTIVE TO YUGOSLAVS. BOUTAIL STRESSED THAT LIMITED OFFICIAL USE

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THIS IS VERY SMALL ITEM WHICH MERELY CONSISTS OF REVIEW OF FEASIBILITY STUDY ALREADY CONDUCTED BY YUGOSLAVS. HE SEES NO CORRELATION BETWEEN STUDY AND AWARDED CONTRACT. CEC, WORKING WITH HOUSTON FIRM BROWN AND ROOT, INTENDS COMPETE WITH BECHTEL FOR PIPELINE PROJECT.

3. PIPELINE CONSORTIUM HEADQUARTERS: ACCORDING BUBANJ, HEAD-QUARTERS FOR PAN-ADRIA PIPELINE CONSORTIUM WILL PROBABLY BE IN

RUJEKA NEAR PIPELINE'S ADRIATIC TERMINUS. BUBANJ SAID THAT CONSORTIUM HAS HAD NO CHIEF UP TO NOW AND THAT CHIEF UNLIKELY BE CHOSEN FROM ONE OF PARTICIPATING ENTERPRISES. HE PREDICTS THAT EVENTUAL CHIEF OF CONSORTIUM WILL BE FROM CROATIA AND CHOSEN FROM AMONG THOSE DEPARTING GOVERNMENT OFFICE IN CHARGES ATTENDANT THIS SPRING'S ELECTIONS. (A MEMBER OF CROATIA'S EXECUTIVE COUNCIL PRIVATELY HAS MADE SAME PREDICTIONS.)

4. TIMING OF PIPELINE PROJECT: BUBANJ DECLINED MAKE PREDICTION ON TIMING PIPELINE CONSTRUCTION SINCE, WITH FORMATION OF CONSORTIUM, INA NO LONGER IN CHARGE. HE CONSIDERS HUNGARIANS AND CZECHS READY TO MOVE AHEAD AND THAT UNCERTAINTIES AS TO TIMING REST WITH YUGOSLAVS.;

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LIMITED OFFICIAL USE SECTION 2 OF 2 ZAGREB 0060

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, YO, HU, CZ, US

SUBJECT: INA GENERAL DIRECTOR COMMENTS ON PAN-ADRIA PIPELINE  
AND OTHER ENERGY TOPICS

5. ENERGY SITUATION: BUBANJ FORESEES LOCAL INCREASES IN PRICES PETROLEUM PRODUCTS AS RESULT RISING COST IMPORTED CRUDE. "HOWEVER, YUGOSLAVIA NOT SO BADLY OFF SINCE ARAB FRIENDS SUPPLYING IT PETROLEUM." FOR LONGER RUN, BUBANJ OPTIMISTIC THAT YUGOSLAVIA WILL BE ABLE BECOME LESS DEPENDENT ON IMPORTED CRUDE. IN THIS CONNECTION, HE STRESSED THAT BOSNIA AND SERBIA HAVE IMPORTANT COAL RESERVES; CROATIA HAS UNEXPLOITED HYDROPOWER RESOURCES AND WILL HAVE NUCLEAR-FUELED ELECTRICITY GENERATING SOURCES LIMITED OFFICIAL USE

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AS WELL; ADDITIONALLY, NATURAL GAS CAN BE COUNTED ON TO MEET MORE AND MORE OF COUNTRY'S PETROCHEMICAL, HEATING, AND COOKING NEEDS. IN WESTERN AREAS OF COUNTRY, GAS WILL STEM FROM DOMESTIC SOURCES; IN EASTERN SECTIONS OF COUNTRY, DOMESTIC GAS WILL BE SUPPLEMENTED BY HOOKUP WITH COMECON SYSTEM. BUBANJ CONSIDERS YUGOSLAVIA'S GAS TRANSMISSION SYSTEM ALREADY QUITE WELL DEVELOPED AND READILY EXPANDABLE ON CONTINUING BASIS. AS TO NATURAL GAS SOURCES, BUBANJ PREDICTS ANNOUNCEMENT OF "SOMETHING VERY PROMISING" IN LIGHT 1973 OFFSHORE GAS FINDINGS.

6. GAS TURBINES: WITH REGARD GAS TURBINE GENERATORS INCLUDED IN WESTINGHOUSE'S KRSKO NUCLEAR-POWER PLANT PACKAGE, BUBANJ TAKES STRONG POSITION THAT NATURAL GAS UNECONOMIC FOR ELECTRIC POWER GENERATION. HE CONSIDERS GAS MUCH MORE ECONOMICALLY USED AS PETROCHEMICAL RAW MATERIAL AND FOR HEATING AND COOKING. HE ALLOWS, THOUGH, THAT GAS TURBINES CAN BE VALUABLE SUPPLEMENTAL ELEMENTS FOR USE IN MOMENTS CRITICAL ENERGY SHORTAGE. BUBANJ FORESEES COAL- AND NUCLEAR-FUELED AND HYDROPOWERED GENERATORS AS MAIN FUTURE SOURCES YUGOSLAVIA'S ELECTRICAL ENERGY.

7. GAS AND PETROLEUM EXPLORATION AND EXPLOITATION: BUBANJ EXPECTS THAT RISES IN PRICES OF GAS AND PETROLEUM PRODUCTS WILL STIMULATE YUGOSLAV PRODUCERS' INTEREST IN EXPLORATION AND EXPLOITATION OF COUNTRY'S GAS AND PETROLEUM RESOURCES. BUBANJ CONFIDENT THAT INA WILL CONTINUE DEPEND ON ITS "LONG-ESTABLISHED" TIES WITH AMERICAN PRODUCERS AND SUPPLIERS FOR ADDITIONAL EQUIPMENT ENABLE EXPANSION ITS PETROLEUM AND GAS EXPLORATION AND EXPLOITATION PROGRAMS.

8. OFFSHORE EXPLORATION AND EXPLOITATION: BUBANJ SAID THAT PROPOSED LEGISLATION (REFS C AND E); TO PERMIT JOINT VENTURES IN OFFSHORE OIL AND GAS EXPLORATION AND EXPLOITATION NOW UNDER VERY ACTIVE CONSIDERATION IN BELGRADE. HE CONSIDERED THAT

MONTENEGRIN PETROLEUM INTERESTS (JUGOPETROL, REFS D AND E) IN SIGNING  
JOINT VENTURE WITH AMERICAN COMPANIES IN 1973 HAD "JUMPED GUN"  
AND SKIRTED YUGOSLAV LAWS RESTRICTING FOREIGN PARTICIPATION  
IN EXPLOITATION MINERAL RESOURCES. THIS HAS "COMPLICATED"  
AMENDMENT PERTINENT LAWS. BUBANJ STRESSED "NO SHORTAGE"  
FOREIGN FIRMS WANTING JOINT VENTURES FOR OFFSHORE PETROLEUM  
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AND GAS EXPLORATION  
AND EXPLOITATION. PROBLEM LIES IN ADJUST-  
MENT YUGOSLAV LAWS TO ENABLE THIS. BUBANJ SAID THAT INA'S  
CONCEPTION OF DIVISION OFFSHORE AREAS INTO PARALLEL EAST-  
WEST STRIPS FOR PETROLEUM AND GAS EXPLORATION AND EXPLOITATION  
(REF C) REMAINS OPERATIVE.  
WILSON

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## Message Attributes

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